

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6667

BILL NUMBER: HB 1375

DATE PREPARED: Dec 15, 2001

BILL AMENDED:

SUBJECT: Board of Accounts Audits of Gaming Regulators.

FISCAL ANALYST: Jim Landers

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: The bill requires the State Board of Accounts to annually audit all phases of the operations of the Lottery, the Horse Racing Commission, and the Gaming Commission. The bill provides that the State Budget Agency may contract with a certified public accountant for an annual financial audit of the State Lottery Commission, the Horse Racing Commission, and the Gaming Commission. It also provides that an audit performed by a certified public accountant pursuant to a contract with the State Budget Agency may not be substituted for the required audit of the State Board of Accounts.

Effective Date: July 1, 2002.

Explanation of State Expenditures: *Lottery Commission:* The bill would require the State Board of Accounts to annually audit all phases of the operations of the Lottery. The bill also would require that the Lottery Commission reimburse the State Board of Accounts for all costs of the audit. Under current law, the State Budget Agency (SBA) must contract annually with a CPA for a financial audit of the Lottery Commission. The Commission is required to pay the cost of this audit. The bill would change this provision from a mandate to an authorization and would prohibit the SBA contracted audit from substituting for the audit required by the State Board of Accounts. The current cost of the Lottery Commission audit contracted by SBA is \$77,145. It is estimated that the State Board of Accounts could perform compliance and financial audits of the Lottery Commission for approximately \$50,000 per year. This assumes a full-cost audit at a rate of approximately \$50 per hour. Thus, the change proposed by the bill could potentially result in a cost saving to the Lottery Commission of \$27,000.

Horse Racing and Gaming Commissions: The bill would require the State Board of Accounts to annually audit all phases of the operations of the Horse Racing Commission and the Gaming Commission. Each Commission would have to reimburse the State Board of Accounts for all costs of the audit. Under current law, both Commissions are subjected to compliance audits by the State Board of Accounts, but on a biennial basis. Each audit is estimated to cost about \$15,000. This assumes a full-cost audit at a rate of approximately

\$50 per hour. Due to various economies, it is estimated that each annual audit would cost about 20% less to perform than the biennial audit. Thus, the additional cost to the Horse Racing Commission and the Gaming Commission due to this bill is estimated to be about \$9,000 per biennium, or an average of \$4,500 per year.

The bill also would allow the SBA to contract annually with a CPA for a financial audit of the Horse Racing Commission and of the Gaming Commission. The bill would require each Commission to pay the cost of the SBA contracted audit and would prohibit such an audit from substituting for the audit required by the State Board of Accounts.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Lottery Commission, Horse Racing Commission, Gaming Commission, State Board of Accounts, State Budget Agency.

Local Agencies Affected:

Information Sources: Diane Kensworthy, State Budget Agency, (317) 232-7221. Mike Hoose, State Board of Accounts, (317) 232-2525. Mike Fiwek, State Board of Accounts, (317) 232-2514.